

Message Text

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ORIGIN EUR-03

INFO OCT-01 ISO-00 /004 R

66609

DRAFTED BY: EUR/RPE:JTMCCARTHY

APPROVED BY: EUR/RPE:JTMCCARTHY

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R 022022Z JAN 75

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

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FOLLOWING REPEAT STATE 282970 ACTION LONDON DTD 31 DEC

QTE

LIMITED OFFICIAL USE STATE JWIWOUN

FOLLOWING REPEAT STATE 282970 ACTION CANBERRA WELLINGTON

DUBLIN INFO GENEVA OECD PARIS OTTAWA 28 DECEMBER.

QUOTE

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E.O. 11652: GDS

TAGS: EAGR, OECD

SUBJECT: 1975 MEAT IMPORT PROGRAM

1. PURSUANT TO U.S. DECISION TO SEEK VOLUNTARY EXPORT RESTRAINTS IN 1975 FROM COUNTRIES SUPPLYING MEAT UNDER 1964 MEAT IMPORT LAW, ACTING ASSISTANT SECRETARY FOR ECONOMIC AND BUSINESS AFFAIRS, JULIUS L. KATZ INFORMED LOCAL EMBASSY OFFICIALS (SMITH OF AUSTRALIA, HOLDEN OF NEW ZEALAND, AND CULLEN OF IRELAND) OF DETAILS OF PROPOSED U.S. 1975 MEAT IMPORT PROGRAM. HE SAID USDA'S ESTIMATE OF 1975 IMPORTS IN THE ABSENCE OF RESTRAINTS WAS 1,400 MILLION POUNDS WHICH IS

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SUBSTANTIALLY ABOVE 1975 "TRIGGER LEVEL" (I.E., LEVEL AT

WHICH IMPORT QUOTAS ARE TRIGGERED UNDER THE LAW) WHICH IS 1,181.7 MILLION POUNDS. THE ADJUSTED BASE QUOTA FOR 1975 IS 1,074 MILLION POUNDS; THIS IS THE LEVEL AT WHICH QUOTAS ARE TO BE IMPOSED IN 1975 IF TRIGGERED UNDER THE LAW.

2. THE U.S. DECISION WAS TO SEEK VOLUNTARY EXPORT RESTRAINTS WHICH WOULD PROVIDE SOME CERTAINTY AND REASSURANCE TO FINANCIALLY TROUBLED U.S. CATTLE INDUSTRY AND ASSURE ADEQUATE FUTURE DOMESTIC SUPPLIES OF BEEF. SINCE THE SECRETARY OF AGRICULTURE IS REQUIRED BY LAW TO RELEASE HIS FIRST QUARTERLY ESTIMATE OF 1975 MEAT IMPORTS BY JANUARY 1, AND SINCE THERE IS NOT TIME TO RECEIVE FIRM REACTIONS FROM EXPORTING COUNTRIES BEFORE THAT DATE, THE U.S. IS PROCEEDING UNDER THE ASSUMPTION THAT A VOLUNTARY PROGRAM CAN BE NEGOTIATED AT THE LEVEL OF 1,150 MILLION POUNDS--OR ABOUT 30 MILLION POUNDS BELOW THE TRIGGER LEVEL. THUS THE SECRETARY OF AGRICULTURE'S ESTIMATE, TO BE ANNOUNCED ON DECEMBER 30 OR 31, WILL BE 1,150 MILLION POUNDS. IF OUR ASSUMPTION PROVES WRONG, THE SECRETARY'S ESTIMATE AND OUR ACTIONS UNDER THE 1964 LA, CAN BE CORRECTED AT A LATER DATE.

3. THE U.S. IS FURTHER PROPOSING TO USE AS A BASIS FOR ALLOCATING THIS QUOTA, IMPORTS FROM COUNTRIES PREVIOUSLY PARTICIPATING IN VOLUNTARY RESTRAINTS DURING THE THREE YEAR PERIOD ENDING JUNE 30, 1974. THIS PERIOD ENCOMPASSES TWO YEARS (JULY 1972 - JUNE 1974) OF NO IMPORT RESTRICTIONS AND ONE YEAR OF VOLUNTARY RESTRAINTS. IT ACCORDS WITH U.S. COMMITMENT IN JULY 1972 THAT PERFORMANCE OF SUPPLYING COUNTRIES DURING PERIOD OF MEAT SHORTAGES IN U.S. WOULD BE TAKEN INTO ACCOUNT IN CONSIDERING FUTURE VOLUNTARY RESTRAINTS. SHARES UNDER NEW FORMULA WOULD BE (ROUNDED TO FIRST DECIMAL) AUSTRALIA, 54.2 PERCENT; NEW ZEALAND, 21.9 PERCENT; AND IRELAND, 3.0 PERCENT. UNDER LAST (1972) VOLUNTARY PROGRAM, SHARES WERE 52.0 PERCENT, 21.7 PERCENT, AND 6.5 PERCENT, RESPECTIVELY. NEW SHARES WOULD BE APPLIED TO 1,131.9 MILLION POUNDS WHICH IS 1,150 MILLION POUNDS LESS FOLLOWING AMOUNTS ASSIGNED TO COUNTRIES NOT EXPECTED TO PARTICIPATE IN VOLUNTARY RESTRAINTS: CANADA, 17 MILLION POUNDS, UNITED KINGDOM, 1 MILLION POUNDS AND BELIZE, 0.1 MILLION POUNDS. THUS LIMITED OFFICIAL USE

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PROPOSED RESTRAINTS WOULD BE AUSTRALIA, 613.3 MILLION POUNDS; NEW ZEALAND, 248.4 MILLION POUNDS AND IRELAND 34.1 MILLION POUNDS.

4. IN EXPLAINING PROPOSED PROGRAM, KATZ EMPHASIZED THAT U.S. REGRETTED HAVING TO REQUEST RENEWED RESTRICTIONS, BUT THAT U.S. POSITION AS ONLY OPEN WORLD MARKET FOR BEEF HAD BECOME UNTENABLE. BUILDUP OF HERDS AND MEAT

EXPORT POTENTIAL, PARTICULARLY IN AUSTRALIA AND NEW ZEALAND, AND CLOSURE OF OTHER MARKETS CAST CLOUD OF UNCERTAINTY OVER U.S. CATTLE INDUSTRY THAT HAD TO BE DEALT WITH. KATZ ALSO STRESSED THAT 1975 WAS YEAR OF UNUSUAL UNCERTAINTY FOR U.S. MEAT AND LIVESTOCK SECTOR AND THAT IT WOULD BE NECESSARY TO REVIEW RESULTS OF VOLUNTARY PROGRAM AGAINST POSSIBILITY OF CHANGED CONDITIONS LATER IN YEAR. THE U.S. WAS NOT FORECLOSING POSSIBILITY OF EVENTUAL MODIFICATION OF SYSTEM AND FOR THIS REASON AS WELL AS OTHERS, PREFERRED MORE FLEXIBLE VOLUNTARY RESTRAINTS OVER RIGID QUOTAS.

5. ALL THREE EMBASSIES EXPRESSED AGREEMENT THAT VRS WERE PREFERABLE TO QUOTAS BUT AUSTRALIA AND NEW ZELAND

EXPRESSED DISAPPOINTMENT THAT SUSPENSION OF RESTRICTIONS AND MONITORING COULD NOT BE CONTINUED IN VIEW THAT U.S. IMPORTS HAVE DROPPED OFF SIGNIFICANTLY BECAUSE OF UNATTRACTIVE IMPORTED MEAT PRICES AND THAT NO CHANGE IS ON THE HORIZON. AUSTRALIA ALSO EXPRESSED CONCERN THAT NON-PARTICIPATING CANADA MIGHT NOT BE HELD TO 17 MILLION POUNDS IN 1975 IF CURRENT U.S. RETALIATORY QUOTAS ON CANADIAN MEAT LIFTED. ALL SAID THEY WOULD REPORT THEIR GOVERNMENTS' REACTIONS ASAP BUT NOTED THAT HOLIDAY SEASON MIGHT DELAY.

6. ABOVE SHOULD SERVE AS GUIDANCE FOR CONFIDENTIAL CONVERSATIONS WITH HOST GOVERNMENTS. PROPOSED SHARES AND QUOTA AMOUNTS SHOULD NOT, RPT NOT, BE MADE PUBLIC. AS IN PAST, PRIMARY NEGOTIATIONS WITH AUSTRALIA, NEW ZEALAND AND IRELAND WILL BE HANDLED BY DEPARTMENT HERE. WE ALSO CONTACTING LATIN AMERICAN COUNTRIES WHICH WILL BE ASKED TO PARTICIPATE IN 1975 PROGRAM. LIMITED OFFICIAL USE

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TEST OF SECRETARY OF AGRICULTURE'S FIRST QUARTERLY ESTIMATE WILL BE CABLED WHEN RELEASED.

7. FOR OTTAWA. WE ALSO NOTIFIED CANADIAN EMBASSY OF DECISION SEEK VOLUNTARY RESTRAINTS. NO ACTION CALLED FOR FROM CANADA AT THIS TIME SINCE WE ASSUMING IMPORTS FROM CANADA WILL BE HELD TO 17 MILLION POUNDS UNDER EXISTING QUOTA. SHOULD THIS SITUATION CHANGE WE WILL NEED TO REVIEW MARKET FORECASTS AND DETERMINE WHAT ACTION REQUIRED. BROWN UNQUOTE UNQTE INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORT CONTROLS, IMPORT CONTROLS, MEATS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 02 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE082970
Document Source: CORE
Document Unique ID: 00
Drafter: EUR/RPE:JTMCCARTHY
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750002-1206
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750181/aaaactlg.tel
Line Count: 164
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2003 by KelleyW0>; APPROVED <01 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: 1975 MEAT IMPORT PROGRAM
TAGS: EAGR, LA, OECD
To: EC BRUSSELS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006